ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

March 14, 2013

NOTES FOR A PRESENTATION BY JEAN-MARC EUSTACHE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Check against delivery

The year 2012 was a demanding one. It ended, like the previous year, with a net loss. Denis Pétrin, our Vice-President, Finance, will be sharing all the numbers with you in a few minutes.

That said, we can count ourselves lucky that the international tourism industry is still doing so well. As we slowly emerge from a very serious worldwide financial crisis, which did a lot of damage to the economies of North America and Europe, the number of travellers around the world has continued to grow. At no time during that period did it decrease, and it passed the one billion mark in 2012. The UN World Tourism Organization's long-term forecasts remain attractive. We are in a resilient industry.

Behind this encouraging global trend, however, there are disparities and challenges. Regional disparities, first of all: some source markets and some destinations are doing well, while others are suffering or losing steam. Second, disparities stemming from the type and intensity of the competition, which vary depending on market segments and the seasons.

As you know, Transat has two major source markets: Canada and Europe. As for our destinations, we travel just about everywhere in the world.

Canada's economy weathered the crisis well. Demand on this side of the Atlantic has remained healthy. Obviously, the very attractive sale prices have something to do with that, which means margins suffered as a result, but the bottom line is that Canadians still want to travel.

Things have been tougher in Europe. Because of the gloomy economic climate, but also because many classic and popular destinations have lost some of their shine. This is true of Greece—although luckily, the outlook seems to be brighter this year—as well as Tunisia, Egypt, Kenya, Thailand and Mauritius. And when it comes to demand for Canada, outbound from Europe, things were stable.

Once again, we had a difficult year for Sun destinations, an extremely competitive market segment. Not because of a lack of travellers but, as I just mentioned, because of the anemic profit margins typical of this segment. Over the past three years, capacity on Sun routes has increased by 500,000 seats per year. That's a jump of 17 percent, and it puts huge pressure on sale prices.

The total capacity marketed by all players is a fundamental factor that no one can control. But individually, deploying the right capacity, at the right time, on the right routes, and actively managing prices and load factors, are by far the key success factors for any tour operator. And that is true for all market segments. This winter season, we have reduced capacity on Sun destinations, in spite of the decisions made by some of our competitors.

Thankfully, we had a very good year in the transatlantic market, where we offer consumers a truly outstanding array of products.

In this market, the increase in capacity over the past three years has been far more reasonable: fewer than 200,000 seats, or four percent.

And of course, our product is quite distinctive. It is made-to-measure for tourists, with direct connections between several Canadian cities and some thirty European cities.

Our land product offering—hotel stays, vehicle rentals, excursions, coach tours, cruises and so on—is very rich, perhaps even unequalled. We also have a product that travellers really appreciate: open-jaw fares—that is, flying in to one city and flying out of another.

Generally speaking, to meet the challenges before us, and above all to return to profitability, we are moving ahead with several initiatives, which I will summarize in a moment. From a wider perspective, though, they can all be grouped under two main thrusts.

One: reduce costs and make efficiency gains.

Two: improve the product, differentiate ourselves and build customer loyalty.

We've been reviewing several internal processes and brought adjustments to our structures in 2011, leading to substantial savings.

Implementation of a new software system for managing our package sales was successful, and is generating the expected outcomes. There is a bit of a learning curve, so it's clear that even better results are yet to come.

During 2012, we completely overhauled our revenue management processes.

We had promised that our plan would result in a 20-million-dollar favourable variance in our cost structure in 2012. We have delivered on that promise. And we fully intend to achieve our objective for 2013, namely, a further 15 to 20 million dollars saved, plus another 10 million in 2014.

Our air strategy has clearly been a key factor in Transat's success.

Currently, we have a mixed fleet; that is, wide-body aircraft operated by Air Transat, plus narrow-body jets in partnership with CanJet. The number of aircraft flown varies depending on the season and on our destinations: our name for this variable configuration is an "accordion fleet." Our operations at present are relatively efficient, but we believe that we can do even better.

With that in mind, we are looking at different scenarios. The first is to renew our contract with CanJet, for the long term, in exchange for a substantial cost reduction. The second is to add narrow-body aircraft to the Air Transat fleet. The latter scenario implies agreements with our unions on changes to our operating methods, designed to generate a significant reduction in our operating costs.

The intended outcome for our Sun destination routes is a certain number of permanent narrow-body aircraft operated year-round, which could be doubled in the winter season, complemented by a sufficient number of wide-body aircraft on major connections.

On our transatlantic routes, we must use wide-body jets 100 percent of the time, but numbers also vary depending on the season. High season for this market happens to be summer. The same accordion principle applies. During the fall and winter, we currently sub-lease some of our aircraft to third parties to reduce the size of our fleet.

In the years to come, our number of permanent wide-body aircraft will decrease, as the different leases expire. To compensate and maintain our capacity in peak summer season, we plan on sub-leasing seasonal wide-body aircraft as of 2014.

In short, the idea is to operate a variable-geometry fleet, in terms of both narrow-body and wide-body aircraft—which is something that we already do, but that we will do more of in the future.

Turning now to another issue: we intend to take our hotel strategy to another level, and the process has begun. Simply put, we want to strengthen our relationships with certain hoteliers. We've been analyzing the situation with a view to entering into an exclusive major partnership.

For Transat, hotel costs at Sun destinations represent an expense of some 550 million dollars per year. We are therefore paying serious attention to this expenditure, seeking either to achieve reductions — even modest ones — when market conditions are tight, or else to limit increases.

Following on from that, we have product, and customer experience. Our customers are changing, and we are changing along with them. They have new expectations, and we are working to fulfil them. For example, they want more contact with local culture, and they want to travel more responsibly.

In 2012, we introduced new travel collections and different ways for customers to visit Sun destinations. And we're going to tap this promising vein even more in the future.

In these new collections, three innovative products: The Duo Experience, in which part of the vacation is spent at a beach resort, and part in a city, where customers can explore local cultural and historical attractions.

The Escapade Experience, which offers a 24-hour taste of authentic local culture within the classic Sun vacation format.

And finally the Nolizone, an immersive experience in a small community featuring several hotels, with a series of entertainment activities all week long, providing great opportunities for socializing and exchanges.

When you talk about customer experience, in our case, obviously, the in-flight experience is key. Transat's air product is one of its great strengths. We are very proud that in 2012, Air Transat was named the World's Best Leisure Airline by SkyTrax, and also recognized as Most Climate-Efficient North American Net Carrier by the German organization atmosfair.

In 2012, we began rollout of our Airbus A330 cabin redesign.

The redesigned planes include top-quality personal entertainment systems, employing state-of-the-art technology and reflecting contemporary tastes.

They also feature a mood lighting system that adjusts light levels with the various phases of a flight.

Last May and June, we held promotional activities in Canada and Europe with industry representatives, and the reaction was extremely enthusiastic.

The most important component of the in-flight experience, however, and the one that generates the most positive feedback from customers, is definitely the service provided by our crews. I'm thinking of, among others, our flight attendants, who have a well-deserved reputation for keeping a smile on their faces for the entire flight. They always deliver the goods, in conditions that aren’t always easy, and I would like to congratulate them for their professionalism.

Since 2007, we have been implementing a strategy of sustainable tourism development.

For example, we have a program to encourage hotels to improve their environmental performance. And we’ve also begun recognizing, in our brochures and on our website, hotel complexes that have been awarded environmental certification, to encourage industry players as well as to raise public awareness.

We have continued our philanthropic partnerships and collaborations with NGOs who strive to make our industry more and more responsible. On March 18, we will be launching on the web our third corporate responsibility report.

Eventually, our concern for sustainable development and our focus on customer experience are going to converge. The product—that is, the trip itself—is going to evolve in that direction.

In early 2013, we decided to do something different, and introduced vacation packages to Haiti. Together with the Haitian Minister of Tourism, we decided the time was right. To try this experiment. To change people’s perception of the country. So Transat is very proud to be playing a part in the reconstruction of the Haitian economy. The product we are marketing combines a stay at the beach with an authentic travel experience in a country with a history, culture, heritage, and most of all a very welcoming people, all of which deserve to be discovered.

In the future, the tour segment is going to see more growth. Transat has a very solid platform in this area. In this very promising market for us, we have an array of products that meet customers' expectations for authentic experiences and interaction with local communities.

In this segment, Transat has a presence in Canada with Jonview Canada, the country's leading incoming tour operator. We also sell tours at destinations all over the world under the Transat Holidays and Transat Discoveries brands.

And in France, we are a recognized long-haul-tour specialist, under the Vacances Transat banner, offering a wealth of destinations and products developed in tandem with local providers, just about everywhere in the world.

When it comes to medium-haul destinations, very popular among French tourists, we are especially active in the Mediterranean Basin, with Look Voyages. These days, although some destinations like Greece are bouncing back, others, like Tunisia, Egypt, as well as Bulgaria, are experiencing challenging times, and finding substitute destinations that can generate equivalent margins for us is not an easy task.

As a result, we are working to reduce our commitments and structural costs, as well as adapt our offering to expectations and market fluctuations.

Although we are on the way to turning things around, for now we are continuing to exercise extremely tight control over our operating costs. In 2012, all of our employees were asked to adhere to austerity measures, and we thank them for that. I wish to especially acknowledge the openness of our unionized employees at Air Transat, who in the general interest of the Company have agreed to revisit their collective agreements.

Merely cutting costs, however, is not enough, and so we are also reviewing our operating procedures. Beneficial changes have already been made in certain areas. This project will continue to be rolled out in 2013, and will result in further changes. Although the gains have started to materialize, we fully intend to make headway consistently over the next two years.

In 2012 we adopted a new vision for the future of Transat. The updated vision statement really says it all: “Holiday travel leader, the Transat team inspires trust in travellers by giving them an experience that is extraordinary, enjoyable and secure. Our customers are our *raison d’être*, responsible tourism development our passion.”

Thank you.